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The Canada Education Savings Grant



Human Resources
Development Canada

Développement des
ressources humaines Canada

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Minister of Human Resources Development
Ministre du Développement des ressources humaines

“Young Canadians today face many challenges, including getting enough education to help them get good jobs. Years ago most work didn’t require a lot of education... but times have changed...

We at Human Resources Development Canada have launched a new Grant program that can help offset the increasing costs of post-secondary education by supplementing educational savings. Its purpose is to make post-secondary education more accessible to more young Canadians. We call it the Canada Education Savings Grant program.”

Jane Stewart, P.C., M.P.
Minister

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Introduction

One of the best ways to ensure a child's future is to save for their education. The Government of Canada can help meet the costs of post-secondary education.

In 1998, the Government of Canada announced an important new program – The Canada Education Savings Grant (CESG). This Grant helps parents, grandparents, relatives and friends who select Registered Education Savings Plans as a means of building a nestegg for a child's post-secondary education.

Through the Canada Education Savings Grant, the Government of Canada pays 20 per cent on the first \$2,000 (or less) you save each year (certain age restrictions apply for children aged 16 and 17; see "The Canada Education Savings Grant"). This can add up to \$400 per year (and a lifetime limit of \$7,200) per child.

Detailed information follows on both the CESG and RESP programs, including the latest RESP improvements. But first, a brief look at the importance of post-secondary education in today's highly competitive workplace...and at the importance of long-term saving.

Post-secondary Education: Investing in Tomorrow's Job Market

Students and parents face three major realities:

- most new jobs require some form of post-secondary education;
- post-secondary education can be expensive;
- it is important to start saving early for a child's future post-secondary education.

Today, business and industry look for people who can keep learning throughout their careers. To remain competitive, Canadians need to continually acquire and develop new skills. This benefits both the employer and employee: higher skills usually pay off.

Employment Growth by Educational Attainment, 1976-1996

Jobs available to individuals with high school or less:

in 1976, approximately 1.0 million jobs available;
in 1980, approximately 1.1 million jobs available;
in 1984, approximately 1.1 million jobs available;
in 1988, approximately 1.1 million jobs available;
in 1992, approximately 1.0 million jobs available;
in 1996, approximately 900,000 jobs available;

Jobs available to individuals with more than high school:

in 1976, approximately 1.0 million jobs available;

in 1980, approximately 1.1 million jobs available;

in 1984, approximately 1.5 million jobs available;

in 1988, approximately 1.9 million jobs available;

in 1992, approximately 2.3 million jobs available;

in 1996, approximately 2.6 million jobs available.

Source: Statistics Canada

Simply put, more jobs are available to people with post-secondary education.

An increasing number of Canadians understand this fact: there are now almost a million full-time students in universities, colleges, vocational and technical institutes and CEGEPs. Another 430,000 are part-time students.

These students know that many costs of post-secondary education have increased. On top of tuition fees are numerous other expenses such as books, lab fees, supplies and living expenses.

Today, depending on the province or territory, community college tuition could be free, or cost as much as \$3,000 per year. Tuition costs for an undergraduate university program can range from \$2,000 to \$9,000 per year.

Importance of Long-term Savings

If you are wondering how much you need to save and how soon you should start, the answers are simple:

Save as much as you can afford Start today

By starting early, tax-sheltered earnings on your savings can grow surprisingly quickly. You would also attract the biggest amount from the Canada Education Savings Grant program. Here is an example:

Rick and Diane have a newborn named Hayley. They put \$5 every week into Hayley's RESP, which adds up to \$260 a year. The Government of Canada adds \$52 of Canada Education Savings Grant.

Rick and Diane keep contributing the same amount on an ongoing basis over a period of 18 years. They keep receiving the CESG on top of their own savings. If all this money grows at 5 per cent per year, Hayley will have almost \$9,000 to help pay for her education.

(Of course, the amount will be even higher if Hayley's grandparents, relatives or friends also contribute).

Total Savings

The assumptions are weekly savings of \$5 a week, with an interest rate of 5% invested over a period of 18 years. Totals are \$6,000 in a regular savings account and \$9,000 with an RESP and CESG.

The Canada Education Savings Grant (CESG)

You need to have a Registered Education Savings Plan (RESP) to obtain the Canada Education Savings Grant (CESG).

- The amount of CESG is 20 per cent of the first \$2,000 (or less) saved in an RESP on behalf of a beneficiary each year. (Any savings on behalf of a beneficiary in excess of \$2,000 per year do not qualify for a grant).
- An annual \$2,000 contribution brings a yearly CESG of \$400, with a lifetime limit of \$7,200 per beneficiary.

CESG Eligibility Requirements

The following conditions must be met to obtain the CESG:

- the subscriber has to provide the beneficiary's Social Insurance Number
- the subscriber has to provide his or her own Social Insurance Number
- the beneficiary is a Canadian resident at the time of the contribution
- contributions are made prior to the end of the calendar year in which the beneficiary turns 17
- beneficiaries aged 16 and 17 are eligible if at least one of the following conditions is met:
 - \$2,000 or more was contributed to RESPs (and not withdrawn) for the beneficiary by the end of the year the beneficiary turned 15, or:

- \$100 or more was contributed to RESPs (and not withdrawn) in each of any four years in respect of the beneficiary before the end of the year the beneficiary turned 15.
- In addition, as a transitional measure, beneficiaries who turn 17 in 1999 are eligible if they were a beneficiary of an RESP during any four years before 1998.

Canada Education Savings Grant Room

- Starting January 1, 1998, all children residing in Canada began to accumulate “grant room” at a rate of \$400/yr until they reach 17 (includes the year the child turns 17). Grant room accumulates whether or not a child is an RESP beneficiary.

Carry-Forward

- If all contributions made on behalf of a beneficiary in one year do not attract the full \$400 of CESG, the unused portion of the CESG will be added to a beneficiary’s CESG room and will be available for use in another year. This means future contributions may attract up to \$800 in a given year.

Repayment of the CESG

If the beneficiary does not pursue post-secondary education, and a replacement beneficiary cannot be found, the CESG must be repaid to the Government of Canada.

Under certain conditions, CESG rules permit: reallocation of the grant between beneficiaries; replacing a beneficiary; and transferring RESPs between promoters. Please call the CESG program for details (see “For more information on the Canada Education Savings Grant”).

How to Obtain a Grant

1. Select an RESP on behalf of a beneficiary, make your contribution to the RESP and fill out the promoter's application form to apply for the CESG.
2. The promoter applies for the grant on your behalf.
3. Your application is processed and your eligible grant calculated.
4. The appropriate grant is issued to the trustee for the promoter.
5. The trustee deposits the grant payment to your RESP account for investment as agreed with your promoter.
6. Grants are paid on a monthly basis. For example, if an RESP contribution is made to the promoter, and submitted to the CESG program before March 31, the CESG program will pay the grant to your RESP promoter by the end of April.

The Registered Education Savings Plan (RESP)

An RESP provides a way for people to save for a child's post-secondary education. Each RESP is a contract between a "promoter" and a "subscriber". The promoter is the organization that sells and administers the plan. The subscriber is the person who contributes funds on behalf of a named beneficiary (or beneficiaries). Once the beneficiary begins eligible post-secondary studies, the earnings in the plan, and the CESG, are used to help pay for tuition and other education costs.

With recent improvements, RESPs are now the choice of Canadians who are saving for a child's post-secondary education. These improvements include:

- Increased annual and lifetime contribution limits. Parents, grandparents, other relatives and even friends can now contribute, on behalf of a beneficiary, a combined total of \$4,000 a year up to a lifetime limit of \$42,000.
- When the beneficiary begins full-time post-secondary studies, Educational Assistance Payments (EAPs) commence; EAPs include the CESG and investment earnings.

If the beneficiary does not pursue post-secondary education, your RESP may permit:

- replacing the existing beneficiary with a new beneficiary, if certain conditions are met. (Please contact your promoter or your Revenue Canada Tax Services Office);
- paying the plan's investment earnings, including earnings on the grant, to the subscriber. These payments are referred to

as Accumulated Income Payments (AIPs) and are taxable. [Note: an AIP requires that certain conditions be met – please refer to the definition of AIP in the glossary].

- the ability to roll over as much as \$50,000 of AIPs to a subscriber's Registered Retirement Savings Plan (RRSP), assuming sufficient RRSP room exists.

RESP Tax Matters

- Contributions are not tax-deductible and are not taxed when returned to the subscriber.
- Investment earnings inside an RESP grow tax-sheltered.
- Once the beneficiary is enrolled full-time (part-time for students with disabilities) in an eligible post-secondary institution, Educational Assistance Payments may start.
- These payments are taxable income for the beneficiary.
- However, because a student typically has a modest income while studying, little or no tax will likely be paid on the Educational Assistance Payment.
- Accumulated Income Payments, if not rolled over to a subscriber's RRSP, are taxed at the subscriber's normal tax rate plus 20 per cent. (Rates may vary by province; check with your Revenue Canada Tax Services Office).

Selecting a Registered Education Savings Plan

As with any major purchase, it is important to investigate before you buy. Issues to consider when selecting an RESP include: fees, security of investment; level of risk of investment; rate of return on investment; amount of foreign content; and flexibility of

the terms of the plan (e.g., what happens if the child does not go on to post-secondary school).

RESPs can be purchased through a number of organizations such as banks, brokerage houses, credit unions, scholarship foundations, insurance companies, mutual fund companies and trust companies. An RESP promoter list can be obtained free from the CESG program (see “For more information on the Canada Education Savings Grant”).

Types of RESPs

There are two main types of RESPs – Individual and Group. Within the Individual category are Non-Family and Family plans.

Both types require that:

- contributions stop no later than 21 years after the plan was opened; and
- each plan be terminated by the end of the 25th year.

Individual RESPs

Features common to both Individual Non-Family and Individual Family plans:

- the subscriber may determine when, and how much, to contribute to the plan;
- the subscriber decides when to direct the promoter to make Educational Assistance Payments; and
- as much as 100% foreign investment content may be permitted, depending on the type of plan selected.

Features specific to Individual Non-Family plans:

- the subscriber may have only one beneficiary at any time; and
- the beneficiary need not be related to the subscriber, and may be over 21 when named.

Features specific to Individual Family plans:

- the subscriber may choose to have more than one beneficiary, but all beneficiaries (even if only one is named) must be related to the subscriber by blood or adoption, and be under 21 when named;
- contributions can only be made until a beneficiary turns 21; Educational Assistance Payments may be shared among beneficiaries.

Group Plans

Group plans operate on a pooling principle, whereby the beneficiary named under a contract by a subscriber will receive educational assistance payments when enrolled in a qualifying post-secondary program. When the beneficiary qualifies for an EAP, he or she will also assume a portion of the earnings of other beneficiaries of the same age who do not qualify.

Questions and Answers

How do I apply for the Canada Education Savings Grant?

See “How to obtain a grant”.

Where do I get a Social Insurance Number (SIN) for the beneficiary?

You may use the enclosed SIN application form. For further information contact your local Human Resources Centre of Canada (HRCC). Look in the blue pages of your phone directory under Government of Canada.

What happens if the beneficiary does not pursue post-secondary education?

Some alternatives (and if your plan permits):

- you may wish to leave the money in the plan for a few years in case the beneficiary reconsiders
- a new beneficiary may be named to the plan
- earnings from your RESP investments may be rolled-over to your RRSP or spousal RRSP, or
- they may be paid to you as an Accumulated Income Payment (please refer to the definition of AIP in the glossary)

How soon should I start my Registered Education Savings Plan?

Start today. By starting early, tax sheltered earnings on your savings can grow surprisingly quickly. These savings will also attract the largest possible amount from the Canada Education Savings Grant.

Estimated Accumulated Education Savings with the Canada Education Savings Grant

(Assumed average annual effective long-term rate of return of 5%)

By making a weekly contribution of \$5, you will accumulate \$700 after 2 years; \$2,200 after 6 years; \$4,000 after 10 years; \$6,300 after 14 years; \$9,000 after 18 years.

By making a weekly contribution of \$10 you will accumulate \$1,300 after 2 years; \$4,300 after 6 years; \$8,000 after 10 years; \$12,500 after 14 years; \$18,000 after 18 years.

By making a weekly contribution of \$15, you will accumulate \$2,000 after 2 years; \$6,500 after 6 years; \$12,100 after 10 years; \$18,800 after 14 years; \$27,000 after 18 years.

By making a weekly contribution of \$20, you will accumulate \$2,600 after 2 years; \$8,700 after 6 years; \$16,100 after 10 years; \$25,100 after 14 years; \$36,000 after 18 years.

By making a weekly contribution of \$25, you will accumulate \$3,300 after 2 years; \$10,900 after 6 years; \$20,100 after 10 years; \$31,300 after 14 years; \$45,000 after 18 years.

By making a weekly contribution of \$30, you will accumulate \$4,600 after 2 years; \$15,200 after 6 years; \$28,100 after 10 years; \$43,900 after 14 years; \$63,000 after 18 years.

Glossary of Terms

(Please refer to the Income Tax Act for formal definitions of these terms)

Accumulated Income Payment (AIP) – a payment to the subscriber out of the plan's investment earnings, including earnings on the grant. An AIP can only be made if the plan has been in existence for 10 years; the beneficiary has reached 21; the beneficiary is not qualified to receive Educational Assistance Payments (i.e., not attending school); and the subscriber is a resident of Canada. These conditions may be waived under certain circumstances (e.g., deceased or mentally-impaired beneficiary). An AIP is taxable income for the subscriber, and is subject to an additional 20 per cent tax.

Beneficiary – under an RESP, the individual who, named by the subscriber, will receive Educational Assistance Payments, under the terms of the plan.

Educational Assistance Payment (EAP) – any amount paid or payable under an RESP to or for the beneficiary to assist with this individual's education needs at the post-secondary level. An EAP consists of investment income and the grant. These amounts do not include refunds of contributions made to the subscriber of the plan. At the time of the EAP the beneficiary must be enrolled in a qualifying educational program at a post-secondary institution as a full-time student. (Physically impaired beneficiaries do not have to be enrolled full-time).

Promoter – any person/organization offering an RESP to the public.

Subscriber (contributor) – a person who enters into an RESP contract with a promoter. The subscriber agrees to contribute to the contract on behalf of an individual named under the plan as the beneficiary. If the plan permits, spouses can be joint subscribers. Note: the subscriber has to be a person. A corporation, trust, church or charity cannot be a subscriber.

Trustee – RESP funds must be held by a corporation licensed to be a trustee. The trustee is engaged by the promoter, and can be the promoter.

For more information on the Canada Education Savings Grant

call toll-free:

1-888-276-3624 (English)

1-888-276-3632 (French)

visit our website:

<http://www.hrdc-drhc.gc.ca/cesg> (English)

<http://www.hrdc-drhc.gc.ca/scee> (French)

For more information on other HRDC programs

call toll-free:

Youth Employment Strategy (YES)

1-800-935-5555

Canada Student Loans Program (CSLP)

Canada Study Grants

1-888-432-7377 (English)

1-800-733-3765 (French)

Obtain further information by visiting your local Human Resource Centre of Canada (HRCC).

Human Resources Development Canada

<http://www.hrdc-drhc.gc.ca>

TTY line: (819) 994-1218

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braille and computer diskette) produced by
T-Base Communications Inc.

Ottawa, Canada

(613) 236-0866



Instruction Sheet

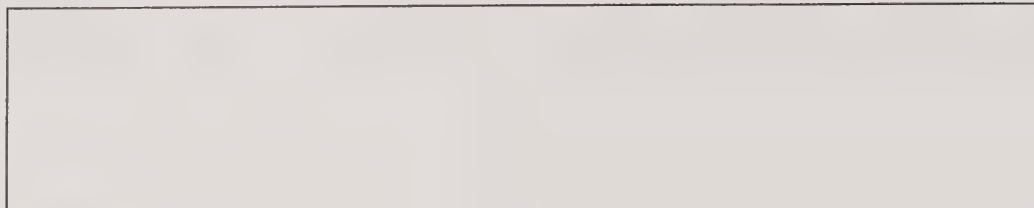
A - Complete the attached SIN application form and provide us with the required document(s). **The document(s) you provide must be original.** Photocopies are not acceptable unless certified by a notary public, a commissioner of oaths or a HRCC officer. See below for the required document(s).

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B - **If you are replacing your SIN card, you must pay a \$10.00 fee.** Make your personal cheque, bank draft or money order payable to the **Receiver General for Canada**. You may pay in cash at a Human Resource Centre of Canada. Please note that the fee is subject to change without notice. **Do not mail cash.**

We encourage you to take your application and document(s) to the nearest Human Resource Centre of Canada. Your application will be certified and your document(s) will be returned to you immediately. If this is inconvenient, you may mail your application and document(s) to the address below. Your document(s) will be returned with your SIN card. **However, in the unlikely event they are not returned, please take note that we are not accountable for lost documents.**

Social Insurance Registration
P.O. Box 7000
Bathurst, N.B.
E2A 4T1



Documents required (subject to change)

- You must provide one of the documents listed in 1 below.
 - If the name you are now using is different than the name appearing on that document, you must also provide one of the documents listed in 2 below. If you cannot provide any of these documents, call your Human Resource Centre of Canada. They can suggest other documents.
1. • Canadian provincial birth certificate (issued by the Vital Statistics branch of the province or territory of your birth) Certificate of Birth and Baptism (only for persons born and baptized in Newfoundland and Québec). The Québec Certificates must have been issued before January 1st, 1994.
- For Registered Indian: If you wish to have your status in Canada recorded as “Registered Indian”, you must provide your Certificate of Indian Status (issued by the Department of Indian and Northern Affairs) in addition to your birth certificate.

- Canadian Immigration Record and Visa or Record of Landing (IMM 1000)
- Unexpired Immigration form entitled “Visitor Record” or “Employment Authorization” or “Student Authorization” or “Minister’s Permit / Extension” (IMM 1442 or equivalent)
- Refugee Status Claim (IMM 1434) (Also issued under RDS001, RM-001, RM-002 and RM-008 in Québec)

2. • Marriage certificate

Exception: The marriage certificate is not acceptable for persons domiciled in Québec and who were married in that province after April 1st, 1981.

- Change of name document

Acknowledgement of Application for a Social Insurance Number

Protected When Completed - A

The employment insurance legislation does not prevent persons from working prior to being issued a Social Insurance Number and card. It merely obliges the person who becomes employed in insurable employment before he/she is registered, to apply to the Commission for a Social Insurance Number and to produce his/her Social Insurance Number card to his/her employer within three (3) days after having received it.

Accordingly, this certifies that

☐ has applied for a Social Insurance Number. When the application is approved, the Social Insurance Number card will be sent to the address specified by the applicant at the time of his/her application.

☐ has been assigned a SIN _____

A Social Insurance Number card will be forwarded to the address specified by the applicant at the time of his/her application.

HRCC Stamp
(**Not** Certification Stamp)

Clerk's Initials

NAS 2120 (02-97) B

Protected When Completed - A

Finder No:

Do Not Write in this Area

Application for a:

--

- ☐ First Social Insurance Number Card (fee not required)
- ☐ Replacement Card (fee required)
- ☐ Change of Name(s) on Card (fee not required)
- ☐ Change of Status (fee not required)
- ☐ Other Changes (no card will be issued and no fee required)

Information Concerning the Applicant. Please Print Clearly.

1. Name to Be Shown on Card

First Name _____

Middle Name (if wanted on card) _____

Family Name _____

2. Date of Birth Day _____ Month _____ Year _____

3. Sex ☐ Male ☐ Female

☐ Check block if you are a twin

4. Mother's Full Name at Her Birth

5. Father's Full Name at His Birth

6. Applicant's Place of Birth

City, Town or Village

Province

Country

7. Family Name at Birth

8. Other Family Name(s) Previously Used

9. Have You Ever Had a Social Insurance Number?

☐ No ☐ Yes

10. If "Yes", Write Your Number Here

11. Status in Canada

☐

Canadian Citizen

☐

Registered Indian

☐

Permanent Resident

☐

Other

12. Telephone Numbers

Home _____

Work _____

13. Address where You Want your SIN Card to be Mailed

Number and Street _____

Apartment No. _____

City, Town or Village _____

Province _____

Postal Code _____

14. (If you are under 12 years of age, your parent / guardian must sign and indicate his / her relationship. If “X” is used as a signature, have two witnesses sign here).

Date _____

Information collected on this form is used for the purpose of issuing social insurance numbers. Its collection is authorized by the Employment Insurance Act. For more details on the uses and rights concerning inspection and correction of the Information, refer to the publication Info Source, Bank No. HRDC PPU 390, available in Human Resource Centres of Canada and major Public Libraries.

Do not write below, for local office use only

A All names as shown on primary doc.

Given Names _____

Family Name _____

B Date of Birth as shown on primary doc.

Day _____ Month _____ Year _____

C Primary document seen (Abbr.) _____

(Client ID - Serial/Reg. No.) _____

Supporting document seen (Abbr.) _____

D Priority SIN reason _____

Electronic mail address _____

E Fee paid Amount \$ _____ Receipt No. _____

F Remarks

Certification Stamp



Oxford

 **ESSELTE**

10%

